

**STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-13-06

STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
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JUNE 30, 2006

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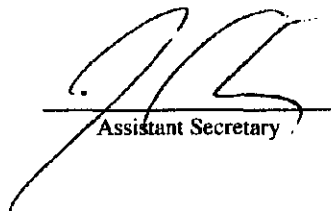
STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Division of Administration
Office of Statewide Reporting
and Accounting Policy
P. O. Box 94095
Baton Rouge, LA 70804-9095

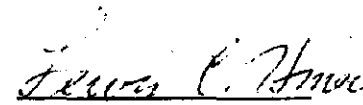
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, John Clifton Conine, Assistant Secretary of the Natchitoches Levee and Drainage District, who duly sworn, deposes and says, that the financial statements herewith given presents fairly the financial position of Natchitoches Levee and Drainage District at June 30, 2006 and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.


Assistant Secretary

Sworn to and subscribed before me, this 22nd day of August, 2006.


NOTARY PUBLIC
10# 15684

HINES, JACKSON & HINES, L.L.C.

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Board of Commissioners
Natchitoches Levee and Drainage District
Natchitoches, Louisiana

We have reviewed the accompanying financial Statements of the Natchitoches Levee and Drainage District, Natchitoches, Louisiana, a component unit of the State of Louisiana, as of and for the year ended June 30, 2006, as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Natchitoches Levee and Drainage District.

A review consists principally of inquiries of the Natchitoches Levee and Drainage District personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the budgetary information on pages 3 through 7 and 21, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

The financial information for the year ended June 30, 2005, which is included for comparative purposes was taken from the review financial report for that year in which we were not aware of any material modifications dated August 25, 2005, on the basic financial statements of the Natchitoches Levee and Drainage District.

Hines, Jackson & Hines
Natchitoches, Louisiana
August 22, 2006

STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

The Management's Discussion and Analysis of the Natchitoches Levee and Drainage District's financial performance presents a narrative overview and analysis of Natchitoches Levee and Drainage District's financial activities for the year ended June 30, 2006. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the Natchitoches Levee and Drainage District's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- 1) The Natchitoches Levee and Drainage District had cash and investments of \$718,012 at June 30, 2006 which represents an increase of \$14,996 from prior year end.
- 2) The Natchitoches Levee and Drainage District had accounts receivable of \$0 at June 30, 2006 which represents a decrease of \$2,116 from prior year end.
- 3) The Natchitoches Levee and Drainage District had accounts payable and accruals of \$4,929 at June 30, 2006 which represents a decrease of \$2,143 from prior year end.
- 4) The Natchitoches Levee and Drainage District had total revenues of \$446,845 for the year ended June 30, 2006 which represents an increase of \$32,537 from prior year.
- 5) The Natchitoches Levee and Drainage District had property taxes of \$374,377 for the year ended June 30, 2006 which represents an increase of \$14,179 from prior year.
- 6) The Natchitoches Levee and Drainage District had interest income of \$28,421 for the year ended June 30, 2006 which represents an increase of \$14,333 from prior year.
- 7) The Natchitoches Levee and Drainage District had personal services expenses of \$178,627 for the year ended June 30, 2006 which represents an increase of \$3,990 from prior year.
- 8) The Natchitoches Levee and Drainage District had operating services expenses of \$111,684 for the year ended June 30, 2006 which represents an increase of \$35,405 from prior year.
- 9) The Natchitoches Levee and Drainage District had capital asset purchases of \$13,649 for the year ended June 30, 2006 which represents a decrease of \$155,158 from prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for the Natchitoches Levee and Drainage District as established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments.

STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2006

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Management Discussion and Analysis

Basic Financial Statements

Required Supplementary Information
(Other than MD&A)

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

Basic Financial Statements

This annual report consist of a series of financial statements. The Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets, Statement of Activities and Statement of Cash Flows (on pages 8, 9, 10 and 11) provide information about the activities of the Natchitoches Levee and Drainage District as a whole and present a longer-term view of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets and Statement of Activities report the District's net assets and changes in them. You can think of the District's net assets, the difference between assets and liabilities, as one way to measure the Fund's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2006

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
As of Year End

	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 718,077	\$ 705,197
Capital assets, net	<u>184,969</u>	<u>215,237</u>
Total Assets	<u>\$ 903,046</u>	<u>\$ 920,434</u>
Other liabilities	\$ 4,929	\$ 7,072
Compensated absences payable	16,674	14,796
Capital lease obligations	<u>97,308</u>	<u>127,238</u>
Total Liabilities	118,911	149,106
Net assets		
Investment in capital assets, net of related debt	87,661	87,999
Unrestricted	<u>696,474</u>	<u>683,329</u>
Total Net Assets	<u>784,135</u>	<u>771,328</u>
Total Liabilities and Net Assets	<u>\$ 903,046</u>	<u>\$ 920,434</u>

Net assets of the Natchitoches Levee and Drainage District's increased by \$12,807 or 1.66% from the previous fiscal year. The increase is the result of operating and nonoperating revenues exceeding expenses during the fiscal year ended 2006 (See table below).

Statement of Activities
For the Year Ended

	<u>2006</u>	<u>2005</u>
General government		
Expenses	\$ (434,038)	\$ (354,749)
Program revenues		
Operating grants and contributions	<u>0</u>	<u>0</u>
Subtotal	(434,038)	(354,749)
General revenues	<u>446,845</u>	<u>414,308</u>
Change in net assets	<u>\$ 12,807</u>	<u>\$ 59,559</u>

The Natchitoches Levee and Drainage District's total revenues increased by \$32,537 or 7.85% from the previous year. The total cost of all programs and services increased by \$79,289 or 22.35% from the previous year.

STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2006

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

Actual revenues were \$51,845 more than budgeted amounts due to state revenue sharing and interest income being more than expected.

Actual expenditures were \$37,347 more than budgeted amounts due to supplies expenditures being more than expected.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Natchitoches Levee and Drainage District's elected and appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- 1) Ad valorem taxes
- 2) Interest income
- 3) Projects under consideration
- 4) Intergovernmental revenues (state and local grants)

The Natchitoches Levee and Drainage District does not expect any significant changes in next year's results as compared to the current year.

CONTACTING THE NATCHITOCHES LEVEE AND DRAINAGE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Natchitoches Levee and Drainage District's finances and to show the Natchitoches Levee and Drainage District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Clifton Conine, Assistant Secretary, Post Office Box 1209, Natchitoches, Louisiana 71458.

EXHIBIT A

STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets		
Cash	\$ 17,312	\$ 459,139
Investments	700,700	243,877
Accounts receivable	<u>0</u>	<u>2,116</u>
Total Current Assets	718,012	705,132
Noncurrent Assets		
Capital assets, net	184,969	215,237
Utility deposits	<u>65</u>	<u>65</u>
Total Assets	<u>\$ 903,046</u>	<u>\$ 920,434</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Current portion of capital lease obligations	\$ 31,150	\$ 29,930
Accounts payable and accruals	<u>4,929</u>	<u>7,072</u>
Total Current Liabilities	36,079	37,002
Noncurrent Liabilities		
Compensated absences payable	16,674	14,796
Capital lease obligations, net of current portion	<u>66,158</u>	<u>97,308</u>
Total Liabilities	118,911	149,106
NET ASSETS		
Investment in capital assets, net of related debt	87,661	87,999
Unrestricted	<u>696,474</u>	<u>683,329</u>
Total Net Assets	784,135	771,328
Total Liabilities and Net Assets	<u>\$ 903,046</u>	<u>\$ 920,434</u>

The accompanying notes are an integral part of this statement.

EXHIBIT B

STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES		
Operating grants and contributions	\$ 0	\$ 0
Total Operating Revenues	0	0
OPERATING EXPENDITURES		
Personal services	178,627	174,637
Travel	949	3,493
Operating services	111,684	76,279
Supplies	63,021	17,937
Professional services	31,295	31,580
Interest	4,545	5,196
Depreciation	43,917	45,627
Total Operating Expenditures	<u>434,038</u>	<u>354,749</u>
Operating Income/(Loss)	(434,038)	(354,749)
NONOPERATING REVENUES/(EXPENSES)		
Taxes	374,377	360,198
State revenue sharing	39,796	39,597
Interest income	28,421	14,088
Miscellaneous	4,251	425
Total Nonoperating Revenues/(Expenses)	<u>446,845</u>	<u>414,308</u>
Change in Net Assets	12,807	59,559
Total Net Assets, Beginning of year	<u>771,328</u>	<u>711,769</u>
Total Net Assets, End of year	<u>\$ 784,135</u>	<u>\$ 771,328</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C

STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006			2005	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Natchitoches Levee and Drainage District	\$ 434,038	\$ 0	\$ 0	\$ 0	\$ (354,749)
General Revenues:					
Taxes					
State revenue sharing				374,377	360,198
Interest income				39,796	39,597
Miscellaneous				28,421	14,088
Total General Revenues				425	425
				446,845	414,308
Change in Net Assets				12,807	59,559
Net Assets, Beginning of year				771,328	711,769
Net Assets, End of year				\$ 784,135	\$ 771,328

The accompanying notes are an integral part of this statement.

EXHIBIT D

STATE OF LOUISIANA
NATCHITOCHE LEVEE AND DRAINAGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Cash payments to suppliers for goods and services	\$ (213,317)	\$ (130,202)
Cash payments to employees and board members for services	(177,069)	(173,631)
Other operating revenues/(expenses)	<u>0</u>	<u>0</u>
Net Cash From Operating Activities	(390,386)	(303,833)
Cash Flows From Non-Capital Financing Activities		
Cash receipts of taxes	374,377	360,198
State revenue sharing	39,796	39,597
Miscellaneous revenues	<u>10,912</u>	<u>18,166</u>
Net Cash From Non-Capital Financing Activities	425,085	417,961
Cash Flows From Capital and Related Financing Activities		
Principal payments on capital lease obligations	(29,930)	(29,279)
Acquisition/construction of capital assets	(13,649)	(12,290)
Interest paid	<u>(4,545)</u>	<u>(5,196)</u>
Net Cash From Capital and Related Financing Activities	(48,124)	(46,765)
Cash Flows From Investing Activities		
Purchase of investments	(456,823)	0
Interest income	<u>28,421</u>	<u>14,788</u>
Cash Flows From Investing Activities	(428,402)	14,788
Net Increase/(Decrease) in Cash and Cash Equivalents	(441,827)	82,151
Cash and Cash Equivalents, Beginning of year	<u>459,139</u>	<u>376,988</u>
Cash and Cash Equivalents, End of year	<u>\$ 17,312</u>	<u>\$ 459,139</u>
	<u>2006</u>	<u>2005</u>
Reconciliation of Operating Loss to Net Cash From Operating Activities		
Operating income/(loss)	\$ (434,038)	\$ (354,749)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation expense	43,917	45,627
(Increase)/decrease in operating assets		
Accounts receivable	0	0
Prepaid expenses	0	4,320
Increase/(decrease) in operating liabilities		
Accounts payable and accruals	(2,143)	402
Compensated absences payable	<u>1,878</u>	<u>567</u>
Net Cash Flows From Operating Activities	<u>\$ (390,386)</u>	<u>\$ (303,833)</u>

The accompanying notes are an integral part of this statement

STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

The Natchitoches Levee and Drainage District was created by the Louisiana State Legislature under the provisions of the Louisiana Revised Statute 38:291(H). The Levee District includes most of Natchitoches Parish. The Levee District primarily provides flood protection for those areas contained in the District. The Board of Commissioners administers the operations and responsibilities of the Levee District in accordance with the provisions of Louisiana statute. The nine members of the Board of Commissioners which governs the District are appointed by the governor of the State of Louisiana.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This Codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of the Natchitoches Levee and Drainage District present information only as to the transactions of the programs of the Natchitoches Levee and Drainage District as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Natchitoches Levee and Drainage District are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration-Office of Statewide Reporting and Accounting Policy as Follows:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. Budgetary Accounting

Formal budgetary accounting is employed as a management control. The District prepares and adopts a budget prior to July 1 of each year for its general fund in accordance with Louisiana Revised Statutes. The operating budget is prepared based on prior year's revenues and expenditures and the estimated increase therein for the current year, using the full accrual basis of accounting. The District amends its budget when projected revenues are expected to be less than budgeted revenues by five percent or more and/or projected expenditures are expected to be more than budgeted amounts by five percent or more. All budget appropriations lapse at year end.

STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Budgetary Accounting (Continued)

State appropriations made for the operations of the various programs of the Natchitoches Levee and Drainage District are annual lapsing appropriations.

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget.
3. Budget revisions are granted by the Joint Legislative Budget Committee, a committee of the Louisiana Legislature. Interim emergency appropriations may be granted by the Interim Emergency Board.
4. The budgetary information included in the financial statements include the original appropriation plus subsequent amendments as follows:

Original Approved Budget	\$ 0
Amendments	<u> 0</u>
Final Approved Budget	<u><u>\$ 0</u></u>

C. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows and consistent with GASB Statement 9, the District defines cash and cash equivalents as follows:

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - includes all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify under this definition.

D. Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

E. Bad Debts

Uncollectible accounts receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. At June 30, 2006, \$0 were considered to be uncollectible.

STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets

Capital assets are carried at historical costs. Depreciation of all exhaustible capital assets used by the District are charged as an expense against operations in the Statement of Activities. Capital assets net of accumulated depreciation are reported on the Statement of Net Assets. Depreciation is computed using the straight line method over the estimated useful life of the assets, generally 10 to 40 years for buildings and building improvements and 5 to 10 years for moveable property. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Major expenditures for renewals and betterments are capitalized.

G. Compensated Absences

District employees, both classified and unclassified, earn annual and sick leave at various rates depending on the number of years in service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, an employee is compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, the number of hours of unused sick leave is computed and considered in computing the years of service for retirement benefit purposes.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

A. Deposits with Financial Institutions

For reporting purposes, deposits with financial institutions including savings, demand deposits, time deposits, and certificates of deposit. Under state law the Natchitoches Levee and Drainage District may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further the District may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer. The deposits at June 30, 2006 were secured as follows:

STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONTINUED)

A. Deposits with Financial Institutions (Continued)

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Deposits in bank accounts per balance sheet	\$ 17,312	\$ 700,000	\$ 717,312
	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Bank Balances (Category 3 Only, If Any)			
a. Uninsured and uncollateralized	\$ 0	\$ 0	\$ 0
b. Uninsured and uncollateralized with securities held by the pledging institution	0	0	0
c. Uninsured and uncollateralized with securities held by the pledging institution's trust department or agent but not in the entity's name	0	0	0
Total Category 3 Bank Balances	\$ 0	\$ 0	\$ 0
Total Bank Balances (All Categories Including Category 3 Reported Above)	\$ 26,727	\$ 700,000	\$ 726,727

The following is a breakdown by banking institution and amount of the balances shown above:

<u>Banking Institution</u>	<u>Amount</u>
Appalachian Community Bank	\$ 96,000
Bank of Santa Barbara	96,000
Bank of Wisconsin Dells	96,000
BNC National Bank	96,000
Midamerica National Bank	96,000
Newfirst National Bank	96,000
Peoples State Bank	26,727
Pulaski Bank	96,000
St. Louis Bank	20,000
Vision Bank	8,000
Total	\$ 726,727

STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONTINUED)

B. Investments

The Natchitoches Levee and Drainage District maintains investment accounts as authorized by the Louisiana Revised Statutes. Under state law, the District may invest in obligations of the U. S. Treasury and U. S. Agencies, or certificates of deposit. Investments are carried at fair market value as of the balance sheet date.

Investments can be classified according to the level of risk to the entity. Investments made by the Natchitoches Levee and Drainage District as of June 30, 2006 are summarized below by the category of risk.

- Category 1 Insured or registered in the entity's name, or security held by the entity or its agent in the entity's name.
- Category 2 Uninsured or registered with securities held by the counterparty's trust department or agent in the entity's name.
- Category 3 Unsecured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

Type of Investments	Amount Reported in Risk Category 3, If Any		Total Reported Amount - All Categories (Including Category 3)	Total Fair Value - All Categories (Including Category 3)
	Held By Counterparty	Held By Counterparty's Trust Dept. Or Agent Not In Entity's Name		
Valley Farmers Preferred Stock	\$ 0	\$ 0	\$ 700	\$ 700
Total	\$ 0	\$ 0	\$ 700	\$ 700

NOTE 3 ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable at June 30, 2006:

Class of Receivable	
Interest	\$ 0
Other	0
Total	\$ 0

STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 4 CAPITAL ASSETS

A summary of the Natchitoches Levee and Drainage District's capital assets at June 30, 2006 follows:

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006
Capital Assets, not being depreciated				
Land	\$ 1,200	\$ 0	\$ 0	\$ 1,200
Total Capital Assets, not being depreciated	1,200	0	0	1,200
Capital Assets, being depreciated				
Buildings and building improvements	12,290	0	0	12,290
Less accumulated depreciation	(1,229)	(1,229)	0	(2,458)
Total Buildings and building improvements	11,061	(1,229)	0	9,832
Automobiles and equipment	434,714	13,649	0	448,363
Less accumulated depreciation:	(231,738)	(42,688)	0	(274,426)
Total Automobiles and equipment	202,976	(29,039)	0	173,937
Total Capital Assets, being depreciated	214,037	(30,268)	0	183,769
Total Capital Assets, net	\$ 215,237	\$ (30,268)	\$ 0	\$ 184,969

NOTE 5 ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable at June 30, 2006:

<u>Class of Payable</u>	
Vendor	\$ 3,276
Salaries and benefits	1,653
Total	<u>\$ 4,929</u>

NOTE 6 COMPENSATED ABSENCES

At June 30, 2006, employees of the Natchitoches Levee and Drainage District had accumulated \$16,674 in annual leave benefits which were computed in accordance with GASB Codification Section C 60. The following is a summary of the changes in accumulated annual leave benefits for the year ended June 30, 2006.

Compensated absences payable, beginning of year	\$ 14,796
Additions	3,571
Deletions	(1,693)
Compensated absences payable, end of year	<u>\$ 16,674</u>

STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 7 RETIREMENT SYSTEM

Substantially all employees of the Natchitoches Levee and Drainage District are members of the Louisiana State Employees' Retirement System (System), a cost-sharing, multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefits of state employees, which is administered and controlled by a separate board of trustees. All full time employees of the District are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service.

Vested employees are entitled to a retirement benefit, payable monthly for life at a) any age with 30 years of service, b) age 55 with 25 years of service, or c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608.

Members are required by state statute to contribute 7.5% of their annual covered salary and the Natchitoches Levee and Drainage District is required to contribute at an actuarially determined rate. The current employer rate is 19.1% of annual covered payroll. The contribution requirements of plan members and the office are established and may be amended by state statute. As provided by state statute, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contribution to the System for the year ending June 30, 2006, 2005 and 2004 were \$20,232, \$17,656 and \$13,787, respectively, equal to the required contribution for each year.

NOTE 8 POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Natchitoches Levee and Drainage District currently provides certain continuing healthcare and life insurance benefits for its retired employees. Substantially all of the District's employees become eligible for these benefits if they reach normal retirement age while working for the District. The District recognizes the cost of providing these benefits as an expense when the monthly premiums are paid. The cost of providing these benefits to retirees for the year ended June 30, 2006 totaled \$9,610 for 1 retiree.

NOTE 9 LEASE OBLIGATIONS

On July 14, 2004, the Natchitoches Levee and Drainage District entered into a lease agreement for the acquisition of a dozer. The agreement provides for monthly payments of \$2,872.92. At the maturity of the lease term, the District may purchase the dozer for one (1) dollar. The cost of the dozer, \$156,517, is included as an asset and obligation in the financial statements.

STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 9 LEASE OBLIGATIONS (CONTINUED)

The following is a schedule of future minimum lease payments and the present value of the net future minimum lease payments as of June 30, 2006:

<u>Year Ending</u> <u>June 30</u>	<u>Dozer</u>
2007	\$ 34,475
2008	34,475
2009	<u>34,475</u>
Total minimum lease payments	103,425
Less amount representing interest	<u>(6,117)</u>
Present value of minimum lease payments	<u>\$ 97,308</u>

The Natchitoches Levee and Drainage District was not obligated under any noncancellable operating lease commitments at June 30, 2006.

NOTE 10 RISK MANAGEMENT

The Natchitoches Levee and Drainage District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District.

NOTE 11 LITIGATION

There was no outstanding litigation against the Natchitoches Levee and Drainage District at June 30, 2006.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

STATE OF LOUISIANA
NATCHITOCHE LEVEE AND DRAINAGE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Original/Final Budget	Actual	Variance Fav./(Unfav.)
REVENUES			
Taxes	\$ 372,000	\$ 374,377	\$ 2,377
State revenue sharing	13,000	39,796	26,796
Interest income	10,000	28,421	18,421
Miscellaneous	0	4,251	4,251
Total Revenues	395,000	446,845	51,845
EXPENDITURES			
General government			
Personal services	180,000	176,749	3,251
Travel	2,500	949	1,551
Operating services	116,000	111,684	4,316
Supplies	16,500	63,021	(46,521)
Professional services	31,000	31,295	(295)
Capital outlay	14,000	13,649	351
Total Expenditures	360,000	397,347	(37,347)
Excess/(Deficiency) Of Revenues Over Expenditures	35,000	49,498	14,498
Other Financing Sources/(Uses)			
Capital lease payments	(35,000)	(34,475)	525
Total Other Financing Sources/(Uses)	(35,000)	(34,475)	525
Net Change in Fund Balance	0	15,023	15,023
Fund Balance, Beginning of year	854,642	854,642	0
Fund Balance, End of year	\$ 854,642	\$ 869,665	\$ 15,023

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE 2

STATE OF LOUISIANA
NATCHITOCHEES LEVEE AND DRAINAGE DISTRICT
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Commissioners</u>	
Adolph Sklar, Jr.	\$ 375
Alfred Bruning	1,050
Billy Giddens	825
Janet Jones	825
John Clifton Conine	900
Joseph Ned Henry, Jr.	900
Karlton Methvin	1,200
Milton McDonald	825
Doris Roge	<u>975</u>
Total	<u>\$ 7,875</u>

The schedule of compensation paid board members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Per diem payments are authorized by Louisiana Revised Statute 38:308 and are included in the personal services expenses. Board members are paid \$75 per day to a maximum of 36 days per year for board meetings and/or official business. The board president may receive compensation not to exceed \$1,000 per month in lieu of per diem.

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
SCHEDULE OF STATE FUNDING
JUNE 30, 2006

SCHEDULE 3

DESCRIPTION OF FUNDING

State Revenue Sharing

\$ 39,796

STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
SCHEDULE OF LONG-TERM DEBT
JUNE 30, 2006

SCHEDULE 4

None.

SCHEDULE 5

STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
SCHEDULE OF LONG-TERM DEBT AMORTIZATION
JUNE 30, 2006

CAPITAL LEASESDozer

<u>Fiscal Year</u> <u>Ending</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2007	\$ 34,475	\$ 3,325	\$ 31,150	\$ 66,158
2008	34,475	2,056	32,419	33,739
2009	34,475	736	33,739	\$ 0
Total	<u>\$ 103,425</u>	<u>\$ 6,117</u>	<u>\$ 97,308</u>	

SCHEDULE 6

STATE OF LOUISIANA
NATCHITOCHEs LEVEE AND DRAINAGE DISTRICT
SUMMARY SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
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Nothing came to our attention that would require disclosure under Government Auditing Standards.

SCHEDULE 7

STATE OF LOUISIANA
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
2006-01	Actual expenditures of the District were \$37,347 (10.37%) more than budgeted amounts in 2006.	The District will closely monitor its budget and make amendments to it as necessary to accurately reflect expected revenues and expenditures and to satisfy legal requirements.	J. Clifton Conine Asst. Secretary	12/31/2006

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Independent Accountants' Report on Applying Agreed-Upon Procedures

Board of Commissioners
Natchitoches Levee and Drainage District
Natchitoches, Louisiana

We have performed the procedures included in the Louisiana Government Audit Guide and enumerated below, which were agreed to by the management of the Natchitoches Levee and Drainage District and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Natchitoches Levee and Drainage District's compliance with certain laws and regulations during the year ended June 30, 2006, included in the accompanying Louisiana Attestation Questionnaire. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$20,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

One materials and supplies expenditure exceeding \$20,000 was noted for the year. We examined documentation which indicated that the materials and supplies expenditure had been properly advertised and accepted in accordance with the provisions of LSA-RS 38:2211-2251. No expenditures were made for public works exceeding \$100,000.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management [agreed-upon procedure (3)] appeared on the list provided by management in agreed-upon procedure (2).

-MEMBERS-

American Institute of Certified Public Accountants Society of Louisiana Certified Public Accountants

Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.

Management provided us with a copy of the original budget and all amendments. There were no amendments to the budget during the year.

6. Trace the budget adoption and amendments to the minute book.

We traced the adoption of the original budget to the minutes.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5 percent or more or if actual expenditures exceed budgeted amounts by 5 percent or more.

We compared the revenues and expenditures of the budget to actual revenues and expenditures. Actual revenues exceed budgeted revenues. Actual expenditures were 10.37% more than budgeted amounts.

Accounting and Reporting

8. Randomly select 6 disbursements made during the period under examination and:

- a) trace payments to supporting documentation as to proper amount and payee;

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

- b) determine if payments were properly coded to the correct fund and general ledger account; and

All six payments were properly coded to the correct fund and general ledger account.

- c) determine whether payments received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approval was obtain from the proper authorities for payment.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meeting law).

Notices with the date and location of upcoming meetings are required to be posted on the door of the District's meeting room. Although management has asserted that such documents were properly posted, we could find no evidence supporting such assertion.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

We inspected copies of all bank deposit slips for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.

A reading of the minutes of the District for the year under examination indicated no approval for the payments noted. We also inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances, or gifts.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Natchitoches Levee and Drainage District and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Hines, Jackson & Hines

Natchitoches, Louisiana

August 22, 2006

**BOARD OF COMMISSIONERS
NATCHITOCHES LEVEE AND DRAINAGE DISTRICT
448 JEFFERSON STREET
P.O. BOX 1209
NATCHITOCHES, LOUISIANA 71458-1209
TELEPHONE (318) 357-1853
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E-MAIL nldd@cp-tel.net**

**KARLTON METHVIN, President
MILTON McDONALD, Vice President
and Secretary/Treasurer
JOHN CLIFTON CONINE, Assistant Secretary
and Attorney**

**ALFRED BRUNING, Member
BILLY GIDDENS, Member
JOSEPH NED HENRY, JR., Member
JANET JONES, Member
ADOLPH SKLAR, JR. Member**

August 22, 2006

Hines, Jackson & Hines
P. O. Box 2188
Natchitoches, Louisiana 71457

In connection with your review of our financial statements as of June 30, 2006, and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of August 22, 2006.

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office.

Yes ☒ No ☐

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes ☒ No ☐

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes ☒ No ☐

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes ☒ No ☐

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes ☒ No ☐

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes ☒ No ☐

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes ☒ No ☐

Meetings

We have complied with the provisions of the Open meetings Law, provided in RS 42:1 through 42:12.

Yes ☒ No ☐

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes ☒ No ☐

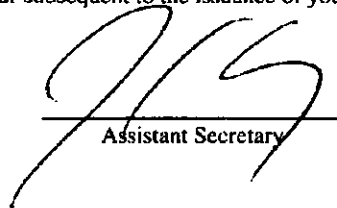
Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79:729.

Yes ☒ No ☐

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.


Assistant Secretary

HINES, JACKSON & HINES, L.L.C.

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Board of Commissioners
Natchitoches Levee and Drainage District
Natchitoches, Louisiana

We are writing this letter as a follow-up to our recent review of the basic financial statements of the Natchitoches Levee and Drainage District, Natchitoches, Louisiana, a component unit of the State of Louisiana, as of June 30, 2006, and for the year then ended. We offer the following observations and recommendations, which are intended to help improve compliance, record keeping procedures and general operations of the District and are intended to be constructive in nature:

Existing Conditions

We noted that actual expenditures of the District were \$37,347 (10.37%) more than budgeted amounts in 2006.

LSA-R.S. 39:1310 requires the District to amend its budget whenever actual revenues and expenditures are projected to be less than or exceed budgeted amounts by more than five percent.

Recommended Action:

We suggest the District's adopted budget be closely monitored and amended whenever there has been a change in operations upon which the original adopted budget was developed. Care should be exercised to maintain actual revenues and expenditures within the five percent limit established by statute.

Management's Response:

The District will closely monitor its budget and make amendments to it as necessary to accurately reflect expected revenues and expenditures and to satisfy legal requirements.

These comments and recommendations are not all inclusive and are not intended to be critical of anyone. We would like to thank the District's management and staff for their courtesy and cooperation during our engagement. If you have any questions or concerns, please let us know.

Hines, Jackson & Hines

Natchitoches, Louisiana
August 22, 2006